



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2011 Biennium

**Bill #** HB0032

**Title:** Increase benefits and contributions to firefighters' unified retirement system

**Primary Sponsor:** Wilmer, Franke

**Status:** As Introduced

**Retirement Systems Affected:**

<input type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input checked="" type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
		<input type="checkbox"/> Judges	

Check the box if "Yes".

- ☒ Has this legislation been reviewed by the legislative interim committee?
- ☒ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2008 Current System	July 1, 2008 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	\$287,218,000	\$306,992,000	\$19,774,000
Present Value of Actuarial Assets	\$206,127,000	\$206,127,000	\$0
Present Value of Increased Costs	\$0	\$0	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded	\$81,091,000	\$100,865,000	\$19,774,000
Amortization Period of AAL	11.3	16.8	5.5

	July 1, 2008	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012
Employee Contribution Rate	9.50%	10.50%	10.50%	10.50%	10.50%
hired prior to 7/1/97 and not electing GABA					
Employee Contribution Rate	10.70%	11.70%	11.70%	11.70%	11.70%
hired after 6/30/97 and those electing GABA					
Employer Contribution Rate	14.36%	14.36%	14.36%	14.36%	14.36%
State Contribution Rate	32.61%	33.61%	33.61%	33.61%	33.61%
TOTAL Contribution Rate	67.17%	70.17%	70.17%	70.17%	70.17%

## FISCAL SUMMARY

	<b>FY 2010 Difference</b>	<b>FY 2011 Difference</b>	<b>FY 2012 Difference</b>	<b>FY 2013 Difference</b>
<b>Expenditures:</b>				
General Fund	\$316,893	\$330,361	\$344,402	\$359,039
Other - Employees	\$316,893	\$330,361	\$344,402	\$359,039
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other - Pension Trust	\$633,786	\$660,722	\$688,804	\$718,078
<b>Net Impact-General Fund Balance:</b>	<u><u>(\$316,893)</u></u>	<u><u>(\$330,361)</u></u>	<u><u>(\$344,402)</u></u>	<u><u>(\$359,039)</u></u>

### Description of fiscal impact:

HB32 increases the FURS formula for calculating retirement benefits from 2.5% to 3.0% for each year of service. The source of funding is a 1% increase in both the employee contributions and the state contributions.

## FISCAL ANALYSIS

### Assumptions:

1. Member contributions will increase by 1%.
2. State contributions will increase by 1%.
3. Employer contributions are not increased.
4. The higher (GABA) employee rate was used because 519 of 525 members are covered under GABA.
5. The benefit multiplier changes for retirement, death, and disability benefits from 2.5% to 3.0% for members retiring on or after July 1, 2009.
6. This is the only statutory amendment being considered. If other provisions are enacted, the actuarial cost impact associated with this amendment may be different.
7. Adjustments have not been made for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2008, except as added in the technical notes below.
8. The actuary's General Wage Growth assumption of 4.25% has been used.
9. FY 2009 total compensation of \$32,013,148 x 1.0425 general wage growth = \$35,147,625 the next year's total compensation.
10. Total compensation for FY2010 \$35,147,625 x the state contribution rate 32.61% = \$10,333,887.
11. Total compensation for FY2010 of \$35,147,625 x the increased state contribution rate 33.61% = \$10,650,781.
12. The increase in the state contribution amount would be \$316,893 (\$10,650,781 - 10,333,887).
13. From assumption number 9, the total compensation for FY2010 \$35,147,625 x the employee contribution rate 10.7% = \$3,390,757.
14. From assumption number 9, the total compensation for FY2010 \$35,147,625 x the increased employee contribution rate 11.7% = \$3,707,650.
15. The increase in the employee contribution amount would be \$316,893 (\$3,707,650 - 3,390,757).
16. Calculations are repeated for each fiscal year.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
State Contribution	\$316,893	\$330,361	\$344,402	\$359,039
<b>TOTAL Expenditures</b>	<u>\$316,893</u>	<u>\$330,361</u>	<u>\$344,402</u>	<u>\$359,039</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$316,893	\$330,361	\$344,402	\$359,039
<b>TOTAL Funding of Exp.</b>	<u>\$316,893</u>	<u>\$330,361</u>	<u>\$344,402</u>	<u>\$359,039</u>
<b><u>Revenues:</u></b>				
Other - Pensions (09)	\$633,786	\$660,722	\$688,804	\$718,078
<b>TOTAL Revenues</b>	<u>\$633,786</u>	<u>\$660,722</u>	<u>\$688,804</u>	<u>\$718,078</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(316,893)	(330,361)	(344,402)	(359,039)
Other - Pensions (09)	\$633,786	\$660,722	\$688,804	\$718,078

**Effect on Local Governments:**

1. The local governments do not have a contribution rate increase.

**Technical Notes:**

1. There is an increase in normal cost that is not fully covered by the increase in contributions.
2. For HB32,
  - a) the amortization period increases by 5.5 years;
  - b) the normal cost increases by 4.70%.
3. Based on the June 30, 2008 market value of assets (instead of actuarial value of assets), the amortization period would be 19.5 years instead of 16.8 years.
4. If the assets were adjusted at June 30, 2008 to reflect the market losses through October 31, 2008, the amortization period would be 19.2 years on an actuarial value of assets basis, and 32.3 years on a market value of assets basis.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*